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ABSTRACT

The financial plan presented in this paper removes some of the current inequities of the property tax through the following basic features: a per pupil expenditure lid up to which the State provides aid; an equalized assessment rate which is enforced; State aid distributed on the basis of the wealth of the district in comparison to the wealth of the State as a whole; and equalized general fund mill levies in school districts which are not mandated but which derive from the distribution formula. The result is that every student in the State has access to an educational program of equal quality (in terms of per pupil expenditure), and the program available to him is not a function of the wealth of the school district in which he resides. (Author)

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PROJECT KANSAS 76: CONCEPT PAPER

A PROPOSED FINANCIAL PLAN FOR PUBLIC EDUCATION IN KANSAS

AN OCCASIONAL PAPER DEVELOPED BY THE PROJECT KANSAS 76 STAFF

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Project Kansas 76 is a cooperative effort to identify and develop [illegible] leadership skills and roles in Kansas education. Participating in the pr[illegible] ject, which is funded under Part D of the Education Professions Development Act, are the Kansas State Department of Education, Kansas State Univers[illegible] University of Kansas, Wichita State University, and the Wichita, [illegible] City, Manhattan, and Kansas City, Kansas school districts.

Major thrusts of the project include the cooperative assessment of [illegible] ucational needs in the three school systems, the identification of addit[illegible] al skills requir d by practitioners to meet these needs, and the po[illegible] suggestion of new types of leadership roles which seem feasible to [illegible] identified needs and priorities. Programs will then be established [illegible] grade practitioner skills and to prepare people to fill new leadership [illegible] which evolve.

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A PROPOSED FINANCIAL PLAN FOR PUBLIC EDUCATION IN KANSAS*

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Fall, 1971

*The financial plan presented in this paper does not represent the viewpoint of any agency, organization, or group. It is totally the responsibility of the author and is intended to stimulate discussion and thought about alternative models of public school support.

I. INTRODUCTION

The recent Serrano decision in California has raised significant questions concerning the continued use of the property tax as the primary source of public school support. Similar suits have been filed in approximately 20 other states including Kansas. These suits bring into question the constitutionality of school finance plans in all states with the possible exceptions of Hawaii and Utah. Additionally, President Nixon, in addressing the recent White House Conference on the Aging, recognized the inequalities of the property tax and hinted that he might propose federal legislation to deal with the situation.

These factors suggest that state legislatures will have to examine closely the school finance plans in their states with an eye toward revision. This is true in Kansas and it is likely that the upcoming session of the legislature will spend perhaps an inordinate amount of time dealing with school finance. This paper is intended to stimulate discussion and thought in that regard.

The model presented in the paper assumes that the Serrano decision does not preclude use of the property tax for support of schools but rather suggests that inequities in the distribution of revenue raised from that source must be eliminated. It continues the use of the property tax but attempts to remove some of the present inequities accruing to that revenue source. It also suggests that the option to levy an income tax be made available to local districts above and beyond the revenue supplied by the distribution formula described herein. The writer views this as the first step toward greater state support of education through income and sales taxes and less dependence on the property tax.

II. SOME PERTINENT FACTS

The following facts are presented as illustrations of current inequities in the administration and incidence of the property tax and present distribution

formula in Kansas (1969-70 data).

A. The adjusted valuation per pupil in Kansas school districts ranges from $4,604 to $115,615. The statewide average is $12,400.
B. The general fund mill levy for the support of schools ranges from 5.13 mills to 96.50 mills.
C. The amount of state aid per pupil ranges from $81.41 to $386.04.
D. As a rule the general fund mill levy increases with the size of the school district. Thus general fund mill levies tend to be lower in smaller districts than they are in larger districts. The average levy in school districts with less than 500 pupils is 19.54 mills while the average levy in districts with more than 10,000 pupils is 40.99 mills.
E. Generally, state aid per pupil decreases as the size of the district increases. The average amount of state aid in districts with less than 500 students is $254.34 while the average state aid per pupil in districts above 10,000 is $210.63.
F. Thus more state aid tends to go to districts with smaller general fund mill levies than to districts with larger mill levies.
G. Per pupil expenditure in Kansas school districts ranges from $454.18 to $1,831.52. Statewide average PPE is $750.
H. Per pupil expenditure decreases as the size of the district increases. The average PPE in school districts with less than 500 pupils is $982.19 while the corresponding figure in districts above 10,000 pupils is $585.94.
I. Thus more state aid tends to go to districts with lower general fund mill levies and higher PPE than to districts with higher levies and lower PPE.
J. By law, real and tangible personal property should be appraised at 30% of fair market value in money.
K. In actuality, the range of appraisal values in rural areas is 5 to 27 percent with an average of 18%. In urban areas, the range is from 10 to 35 percent with an average of 21%.

III. ADDITIONAL PERTINENT FINANCIAL DATA

A. The total adjusted valuation of property in Kansas is $6.1 billion.
B. The total public school enrollment in Kansas is 485,000.
C. The average adjusted valuation per pupil in the state is $12,400.
D. The range in percentage of operating costs coming from the state is 0 to 50%.
E. The average amount of operating costs coming from the state is 33%.
F. The Kansas legislature has indicated that it would like 40% of the cost of public education to come from the state.
G. One hundred eighty-three (183) districts are spending above the statewide average of $750 per pupil.
H. One hundred sixty-two (162) are spending above $300 per pupil.
I. One hundred thirty-two (132) are spending above $850 per pupil.
J. Ninety-nine (99) are spending above $900 per pupil.

IV. A PROPOSED FINANCIAL PLAN

The plan described herein continues the use of the property tax as a source of support for public education but attempts to remove current inequities in its application. It does this through the use of a formula which calculates the percentage of operating costs a school district is entitled to receive from the state based upon its wealth in relation to the state as a whole. The formula is:

$$1 - \left(\frac{A}{B}\right) \times C$$

where

A = the adjusted valuation per pupil in the district.
B = the adjusted valuation per pupil in the state ($12,400).
C = 40% (the level to which the legislature would like to support public education)

Thus it can be seen that the formula involves a ratio of adjusted valuation per pupil in the district to adjusted valuation per pupil statewide times the percentage of operating costs the legislature feels it can support - all subtracted from 1.

Crucial to this plan is the imposition of a per pupil expenditure lid up to which the state will provide aid. Since 99 of the school districts in Kansas are already spending above $900 per pupil, this figure is used in the computations which follow.

Two examples of application of the formula follow - one in a relatively poor district and the other in a relatively wealthy one.

Example #1, Cherryvale

Pertinent data: Adjusted valuation per pupil in Cherryvale = $7,468
Adjusted valuation per pupil in Kansas = $12,400

$$1 - \frac{\text{(Adjusted valuation per pupil in district)}}{\text{(Adjusted valuation per pupil in state)}} \times 40 \text{ (Desired state aid percentage)}$$

$$= 1 - \frac{(7,468)}{(12,400)} \times .40$$

$$= 1 - (.60 \times .40)$$

$$= 1 - (.2400)$$

$$= .\underline{76} \text{ (percent of cost per pupil Cherryvale is entitled to receive from the state)}$$

Assuming a $900 per pupil state aid lid, Cherryvale is entitled to 76% or $684 from the state. The district must raise 24% or $216 locally.

The local property tax mill levy necessary to do this is computed as follows:

$$\text{Local tax rate} = \frac{\text{(Amount per pupil to be raised locally)}}{\text{(Adjusted valuation per pupil in district)}}$$

$$= \frac{\$\ 216}{\$7,468}$$

$$= \underline{27.58} \text{ mills per thousand of assessed valuation.}$$

Example #2, Ellinwood

Pertinent data: Adjusted valuation per pupil in Ellinwood = $22,986
Adjusted valuation per pupil in Kansas = $12,400

$$1 - \frac{\text{(Adjusted valuation per pupil in district)}}{\text{(Adjusted valuation per pupil in state)}} \times .40$$

$$= 1 - \frac{(22,896)}{(12,400)} \times .40$$

$$= 1 - (1.84 \times .40)$$

$$= 1 - .74$$

$$= \underline{26} \text{ (percent of cost per pupil Ellinwood is entitled to receive from the state)}$$

Assuming a $900 per pupil state aid lid, Ellinwood is entitled to 26% or $234 from the state. The district must raise 74% or $666 locally.

The local property tax mill levy necessary to do this is computed as follows:

$$\text{Local tax rate} = \frac{\text{(Amount per pupil to be raised locally)}}{\text{(Adjusted valuation per pupil in district)}}$$

$$= \frac{\$\ 666}{\$22,896}$$

$$= \underline{28.65} \text{ mills per thousand of assessed valuation}$$

V. EQUALIZING FACTORS

The formula proposed in this paper reduces some of the inequities in the

property tax in the following ways:

A. The percent of state aid received by a district is a function of its wealth compared to the wealth of the state as a whole in terms of adjusted valuation per pupil.
B. The wealthier the district, the lower the percentage of state aid it receives.
C. The poorer the district, the higher the percentage of state aid it receives.
D. The tax levy in all districts is the same (approximately 28 mills) since the amount of per pupil expenditure up to which districts receive state aid ($900) is the same.
E. Wide discrepancies in general fund mill levies are removed (5.13 to 96.50 mills) and each student is guaranteed access to an educational program costing $900 per pupil regardless of the wealth of his local district.

VI. OPTIMIZING THE APPLICATION OF THE FORMULA

In order to optimize the application of the formula in terms of equality of educational opportunity, the following conditions should prevail:

A. There should be a systematic procedure for establishing fair market value of property in the state.
B. There should be periodic statewide re-evaluation of property.
C. The equalized assessment rate which is established by law should be implemented. Presently this rate is 30% of fair market value but it could be raised or lowered by the legislature as it sees fit.

VII. ADDITIONAL COMMENTS

The dollar cost to the state to support this program can be adjusted in light of available revenue. This can be accomplished in the following ways:

A. Adjusting the per pupil expenditure lid up to which state aid is provided. For example, a lid of $800 would result in considerably less cost to the state than the $900 lid which is posed in this paper.
B. Adjusting the average percentage of public school costs which are paid by the state. For example, a reduction from the 40% posed in this paper to the current 33% average would result in less cost to the state.
C. Adjusting the equalized assessment rate. Leaving it at the current statewide average (21%) results in higher costs to the state than would be the case if the 30% rate required by law were implemented.
D. If the legislature so desires, minimum and maximum percentages of state aid to districts can be established (perhaps 15-85%) so that no district would receive less than 15% of its operating costs from the state and no district would receive more than 85%. This range would also influence the cost to the state.

E. The features of this model remain intact regardless of the level of funding.

VIII. CONCLUDING REMARKS

In summary, the financial plan presented in this paper removes some of the current inequities of the property tax through the following basic features:

A. A per pupil expenditure lid up to which the state provides aid.
B. An equalized assessment rate which is enforced.
C. State aid distributed on the basis of the wealth of the district in comparison to the wealth of the state as a whole.
D. Equalized general fund mill levies in school districts which are not mandated but which derive from the distribution formula.

The result is that every student in the state has access to an educational program of equal quality (in terms of per pupil expenditure) and the program available to him is not a function of the wealth of the school district in which he resides.

Beyond the plan, the author suggests that districts have the option to levy an income tax if they desire to go beyond the per pupil expenditure lid which is established by the legislature. In the long run, the author foresees a much greater percentage of educational support coming from the state distributed on the basis of different indicators of wealth and educational need with less dependence on the property tax.